Mrs. SULLIVAN. You mean like the closing costs?

Mr. BARR. The closing costs. They are added on and the divergence in practice between different areas in the country. That I think should be cleaned up and I believe it can be cleaned up. That is the biggest advantage to be gained. I would like the committee to know, however, that I don't believe it can be claimed that in the simple disclosure of interest rate there is any confusion; most of the confusion comes in the closing costs.

The second item, Madam Chairman, is the question of the exemption of credit transactions involving credit charges of $10 or less.

In the Senate it was decided that this item should be excluded to make it easier on small business. This committee is confronted with a decision as to whether or not this should be given priority or whether the disclosure to the consumer should be given priority.

I have indicated in my testimony that I would give the priority to the consumer. This is a subject that is going to be open for discussion in this committee.

The third question is revolving credit. Madam Chairman, this is another area that frankly very often gets very confused. The argument you have here, as retailers appear before this committee, seems to revolve around the question of when does that credit start. Possibly because of our long years of borrowing money in the Treasury, we take the very hardheaded opinion that the credit charge starts when they say it starts and when you compute it—if it is a 1½-percent monthly rate, you multiply that by 12 and that is a 18-percent annual rate. It starts 30 days after the transaction—if you get a free ride for 30 days and it starts at 1½ percent at the end of that time, we say you are being charged an 18-percent annual rate. You obviously have a choice during that time and you should know that. You have the choice of taking it out of your savings account—you don't have to incur the 1½-percent charge if you don't want to at the end of the 30 days. You can take it out of your savings account, or at least many people can, and extinguish that debt and not incur the charge. Consequently I think the omission of the revolving credit was serious. You will find that this is a very, very controversial subject and I would urge you to listen carefully. Maybe we at the Treasury are being too tough about this. But it just seems to us rather open and shut that the credit transaction starts when the lender says it starts, and he should apply the multiplier of 12 to the monthly rate, which gives an annual rate. I don't know what all the shouting is about.

Mrs. SULLIVAN. On that particular question also, is dollars per hundred on the average unpaid balance the same as an annual percentage rate which they will have to show after 1972?

Mr. BARR. It is precisely the same number, Madam Chairman; $5 per hundred per year on the unpaid balance is the same as a 5-percent annual rate. We really have not much objection to that. I would think that practically anyone could figure out or could easily be informed that $5 per hundred per year on the unpaid balance is 5 percent. And if that makes it easier for the lenders to get around the question of these State usury laws—these are troublesome, for you don't know what some of the courts are going to do—I would have no objection to that. As far as I am concerned it can go on until 1972. This doesn't